

TOWNSHIP OF MCMILLAN, MICHIGAN

FINANCIAL STATEMENTS

For the Year Ended June 30, 2008

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ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

INDEPENDENT AUDITORS' REPORT

Honorable Supervisor and Members of
the Township Board of Trustees
Township of McMillan, Michigan
405 Newberry Avenue
Newberry, Michigan 49868

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information the Township of McMillan, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Township of McMillan, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of McMillan, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of McMillan, Michigan as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2008, on our consideration of the Township of McMillan, Michigan's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Information on pages 5 through 8 and 30 through 31, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Supervisor and Members of the Township Board of Trustees
Township of McMillan, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of McMillan, Michigan's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 3, 2008

Township of McMillan, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Township of McMillan's financial performance provides an overview of the Township's financial activities for the year ended June 30, 2008. Please read it in conjunction with the financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- Net assets for the Township of McMillan, Michigan as a whole increased by \$74,961 as a result of this year's operations. Net assets of our business-type activities increased by \$14,593, or 7 percent, and net assets of our governmental activities increased by \$60,368, or 6 percent.
- During the year, the Township of McMillan, Michigan had expenses for governmental activities that were \$874,005 and expenses for business type activities that were \$32,771.
- The General Fund reported a net fund balance of \$474,718. Net loss was \$182,728 lower than the forecasted decrease of \$188,900.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9 and 10) provide information about the activities of the Township of McMillan, Michigan as a whole and present a longer-term view of the Township of McMillan, Michigan's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Township of McMillan, Michigan's operations in more detail than the government-wide statements by providing information about the Township of McMillan, Michigan's most significant funds. The remaining statements provide financial information about activities for which the Township of McMillan acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Township as a Whole

Our analysis of the Township of McMillan, Michigan as a whole begins on page 6. One of the most important questions asked about the Township of McMillan, Michigan's finances is "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township of McMillan, Michigan as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township of McMillan, Michigan's *net assets* and changes in them. You can think of the Township of McMillan, Michigan's net assets - the difference between assets and liabilities - as one way to measure the Township of McMillan, Michigan's financial health, or *financial position*. Over time, *increases or decreases* in the Township of McMillan, Michigan's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township of McMillan, Michigan's patron base and the condition of the Township of McMillan, Michigan's capital assets, to assess the *overall financial health* of the Township of McMillan, Michigan.

In the Statement of Net Assets and the Statement of Activities, we divide the Township of McMillan, Michigan into two kinds of activities:

- **Governmental Activities** – Most of the Township of McMillan, Michigan's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-Type Activities** – The Township of McMillan, Michigan charges a fee to customers to help it cover all or most of the certain services it provides. The Wastewater Treatment Fund is reported here.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table I provides a summary of the Township's net assets as of June 30, 2008 and 2007.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	6/30/08	6/30/07	6/30/08	6/30/07	6/30/08	6/30/07
Current & Other Assets	\$878,787	\$818,129	\$42,263	\$22,667	\$921,050	\$840,796
Capital Assets, net	120,194	120,484	233,839	245,786	354,033	366,270
Total Assets	998,981	938,613	276,102	268,453	1,275,083	1,207,066
Current Liabilities	-	-	6,511	8,216	6,511	8,216
Non-current Liabilities	-	-	37,180	42,419	37,180	42,419
Total Liabilities	-	-	43,691	50,635	43,691	50,635
Net Assets:						
Invested in capital assets,						
Net of related debt	120,194	120,484	191,420	198,128	311,614	318,612
Restricted	-	-	7,359	7,621	7,359	7,621
Unrestricted (deficit)	878,787	818,129	33,632	12,069	912,419	830,198
Total Net Assets	\$998,981	\$938,613	\$232,411	\$217,818	\$1,231,392	\$1,156,431

Net assets of the Township's governmental activities stood at \$998,981 *unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$878,787.

The \$878,787 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$232,411. The Township can generally only use these net assets to finance continuing operations of the Wastewater Treatment Facility operations.

The results of this year's operations for the Township as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2008 and 2007.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	6/30/08	6/30/07	6/30/08	6/30/07	6/30/08	6/30/07
Revenues:						
Program Revenues:						
Charges for services	\$308,663	\$245,076	\$47,022	\$40,903	\$355,685	\$285,979
Operating grants and contributions	3,681	3,669	-	-	3,681	3,669
General Revenues:						
Property taxes	314,472	305,319	-	-	314,472	305,319
State sources	93,075	91,566	-	-	93,075	91,566
Interest and miscellaneous	214,482	45,718	342	269	214,824	45,987
Total Revenues	934,373	691,348	47,364	41,172	981,737	732,520
Program Expenses:						
Legislative	47,102	45,751	-	-	47,102	45,751
General services & Administration	340,079	338,625	-	-	340,079	338,625
Public safety	222,240	43,848	-	-	222,240	43,848
Public Works	17,856	5,630	-	-	17,856	5,630
Community and Economic Development	246,728	396,146	-	-	246,728	396,146
Recreation and Culture	-	-	-	-	-	-
Other	-	-	-	-	-	-
Wastewater Treatment	-	-	32,771	44,089	32,771	44,089
Total Expenses	874,005	830,000	32,771	44,089	906,776	874,089
Excess (deficiency) before transfers	60,368	(138,652)	14,593	(2,917)	74,961	(141,569)
Transfers	-	(96,785)	-	96,785	-	-
Increase (decrease) in net assets	60,368	(235,437)	14,593	93,868	74,961	(141,569)
Net assets, beginning, as restated	938,613	1,174,050	217,818	123,950	1,156,431	1,298,000
Net Assets, Ending	\$998,981	\$938,613	\$232,411	\$217,818	\$1,231,392	\$1,156,431

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Township of McMillan, Michigan's total revenues were \$981,737. The total cost of all programs and services was \$906,776, leaving an increase in net assets of \$74,961. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

The net assets of the Township of McMillan, Michigan's governmental activities increased \$60,368 for the year ended June 30, 2008.

The Governmental Funds had a net income of \$60,658, capital outlay of \$5,500 and depreciation expense of \$5,790.

Business-type Activities

During the year ended June 30, 2008, the net assets of the Township of McMillan, Michigan's business type activities increased by \$14,593. The reason for this is an increase in charges for services.

THE TOWNSHIP OF MCMILLAN, MICHIGAN'S FUNDS

Our analysis of the Township of McMillan, Michigan's major funds begins on page 11. The fund financial statements provide detail information about the most significant funds, not the Township of McMillan, Michigan as a whole. The board creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millage. The Township of McMillan, Michigan's major funds includes the General Fund, UDAG Fund and Sewer Fund.

The General Fund pays for the most of the Township of McMillan, Michigan's governmental services.

General Fund Budgetary Highlights

Over the course of the year, the Township of McMillan Board revised the budget a few times.

Amendments resulted in no change in overall equity.

With these adjustments, actual charges to expenditures were \$171,258 less than the final amended budget. Conversely, revenues were \$11,470 more than the final budget projection.

The revenue and expenditures differences between final budget and the actual are made up of:

Revenues were \$11,470 greater than budgeted for the following reasons: Under budgeting for the revenue from the State of Michigan in the amount of \$20,875, interest rates decrease giving an additional \$2,567 in interest income, decrease in property taxes of \$8,328 and \$1,490 from all other activities.

Expenditures were \$171,258 less than budgeted for the following reasons: Professional Services were over budgeted by \$9,124, the Clerks other services and charges were \$15,783 under budget due to less expenditures being incurred, Township Hall Expenses were \$13,654 less than budget, Fire Department service contract decreased by \$25,505, Roads Projects worth \$24,508 were deferred until next year, \$51,880 of contingency was not used, and \$30,804 immaterial difference from all other activity.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2008 and 2007, the Township had \$354,033 and \$366,271 respectively invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 3
Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities – 2008	Business-Type Activities – 2008	Totals – 2008	Totals – 2007
Land	\$51,750	\$-	\$51,750	\$51,750
Land improvements	-	-	-	-
Buildings and improvements	61,488	233,839	295,327	310,534
Equipment and furnishings	6,956	-	6,956	3,987
	<u>\$120,194</u>	<u>\$233,839</u>	<u>\$354,033</u>	<u>\$366,271</u>

The Township recorded depreciation expense of \$17,737 for 2008 and \$17,554 for 2007 and Capital Assets additions of \$5,500 for 2008 and \$ - for 2007.

Debt

At the end of fiscal 2008 and 2007, the Township had outstanding debt of \$42,419 and \$47,658 related to the Sewer System Facility.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the Township's budget for the year ending June 30, 2009 basically, the budget is the same for the year ending June 30, 2008.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township of McMillan, 405 Newberry Avenue, Newberry, MI 49868.

Township of McMillan, Michigan

STATEMENT OF NET ASSETS

June 30, 2008

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 850,126	\$ 33,970	\$ 884,096
Receivables (net)	28,661	8,293	36,954
TOTAL CURRENT ASSETS	878,787	42,263	921,050
Non-current assets:			
Land and construction in progress	51,750	-	51,750
Other capital assets	193,922	565,135	759,057
Accumulated depreciation	(125,478)	(331,296)	(456,774)
Total Capital Assets	120,194	233,839	354,033
TOTAL NON-CURRENT ASSETS	120,194	233,839	354,033
TOTAL ASSETS	998,981	276,102	1,275,083
LIABILITIES			
Current Liabilities:			
Accounts payable	-	742	742
Accrued liabilities	-	-	-
Deferred revenue	-	-	-
Current portion of bonds payable	-	5,239	5,239
Other current liabilities	-	530	530
TOTAL CURRENT LIABILITIES	-	6,511	6,511
Non-current Liabilities:			
Compensated absences	-	-	-
Bonds payable	-	37,180	37,180
TOTAL NON-CURRENT LIABILITIES	-	37,180	37,180
TOTAL LIABILITIES	-	43,691	43,691
NET ASSETS			
Invested in capital assets net of related debt	120,194	191,420	311,614
Restricted for:			
Debt Service	-	7,359	7,359
Unrestricted	878,787	33,632	912,419
TOTAL NET ASSETS	\$ 998,981	\$ 232,411	\$ 1,231,392

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2008

Program Revenues					Net (Expense) Revenue and Changes in Net Assets			
Function / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business Type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative	\$ 47,102	\$ -	\$ -	\$ -	\$ (47,102)	\$ -	\$ (47,102)	
General services and administration	340,079	8,531	-	-	(331,548)	-	(331,548)	
Public safety	222,240	-	3,681	-	(218,559)	-	(218,559)	
Public works	17,856	-	-	-	(17,856)	-	(17,856)	
Community and economic development	246,728	300,132	-	-	53,404	-	53,404	
Recreation and culture	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	
Total Governmental Activities	874,005	308,663	3,681	-	(561,661)	-	(561,661)	
Business Type Activities:								
Wastewater treatment	32,771	47,022	-	-	-	14,251	14,251	
Total Business Type Activities	32,771	47,022	-	-	-	14,251	14,251	
TOTAL PRIMARY GOVERNMENT	\$ 906,776	\$ 355,685	\$ 3,681	\$ -	(561,661)	14,251	(547,410)	
General Revenues:								
Taxes					314,472	-	314,472	
Unrestricted State sources					93,075	-	93,075	
Interest and investment earnings					35,445	342	35,787	
Miscellaneous					179,037	-	179,037	
Transfers					-	-	-	
TOTAL GENERAL REVENUES AND TRANSFERS					622,029	342	622,371	
CHANGE IN NET ASSETS					60,368	14,593	74,961	
Net assets, beginning of year					938,613	217,818	1,156,431	
NET ASSETS, END OF YEAR					\$ 998,981	\$ 232,411	\$ 1,231,392	

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2008

	General Fund	UDAG Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and equivalents	\$ 446,057	\$ 398,270	\$ 5,799	\$ 850,126
Receivables	28,661	1,085,697	-	1,114,358
Due from other funds	-	-	-	-
TOTAL ASSETS	\$ 474,718	\$ 1,483,967	\$ 5,799	\$ 1,964,484
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related	-	-	-	-
Deferred revenue	-	1,085,697	-	1,085,697
TOTAL LIABILITIES	-	1,085,697	-	1,085,697
FUND BALANCE:				
Reserved for:				
Cemetery Trust Fund	-	-	5,793	5,793
Unreserved, reported in:				
General Fund	474,718	-	-	474,718
Liquor Law Fund	-	-	6	6
UDAG Fund	-	398,270	-	398,270
TOTAL FUND BALANCE	474,718	398,270	5,799	878,787
TOTAL LIABILITIES AND FUND BALANCE	\$ 474,718	\$ 1,483,967	\$ 5,799	\$ 1,964,484

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

June 30, 2008

Total Fund Balances for Governmental Funds	\$	878,787
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*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds

Cost of Capital Assets	\$	245,672	
Accumulated Depreciation of Assets		(125,478)	120,194

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Current portion of bonds payable	-	
Compensated absences	-	
Bonds payable	-	

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	998,981
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The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2008

	General Fund	UDAG Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 314,472	\$ -	\$ -	\$ 314,472
Licenses and permits	-	-	-	-
State sources	93,075	-	3,681	96,756
Charges for services	8,531	-	-	8,531
Interest	21,933	57,991	399	80,323
Other	179,037	255,254	-	434,291
TOTAL REVENUES	617,048	313,245	4,080	934,373
EXPENDITURES:				
Current operations:				
Legislative	47,102	-	-	47,102
General services and administration	339,789	-	-	339,789
Public safety	218,473	-	3,767	222,240
Public works	17,856	-	-	17,856
Community and economic development	-	246,728	-	246,728
Recreation and culture	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	623,220	246,728	3,767	873,715
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,172)	66,517	313	60,658
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	(6,172)	66,517	313	60,658
Fund balance, beginning of year	480,890	331,753	5,486	818,129
FUND BALANCE, END OF YEAR	\$ 474,718	\$ 398,270	\$ 5,799	\$ 878,787

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$	60,658
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*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$	5,500	
Depreciation expense		(5,790)	
			(290)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	60,368
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The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2008

	Business - Type Activities
	Enterprise Funds
	Wastewater
	Treatment
	Operating Fund
ASSETS:	
Current Assets:	
Cash and equivalents	\$ 33,970
Accounts receivable, net	8,293
TOTAL CURRENT ASSETS	42,263
Non-current Assets:	
Capital assets	565,135
Accumulated depreciation	(331,296)
TOTAL NON-CURRENT ASSETS	233,839
TOTAL ASSETS	276,102
LIABILITIES:	
Current Liabilities:	
Accounts payable	742
Due to other funds	-
Accrued interest payable	530
Current portion of long-term debt	5,239
TOTAL CURRENT LIABILITIES	6,511
Non-current Liabilities:	
Bond payable	37,180
TOTAL NON-CURRENT LIABILITIES	37,180
TOTAL LIABILITIES	43,691
NET ASSETS:	
Invested in capital assets net of related debt	191,420
Restricted - debt service	7,359
Unrestricted	33,632
TOTAL NET ASSETS	\$ 232,411

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2008

	Business - Type Activities
	Enterprise Funds
	Wastewater
	Treatment
	Operating Fund
OPERATING REVENUES:	
Charges for services (net)	\$ 47,022
Other operating revenue	-
TOTAL OPERATING REVENUES	47,022
OPERATING EXPENSES:	
Operating expenses	18,508
Depreciation	11,947
TOTAL OPERATING EXPENSES	30,455
OPERATING INCOME (LOSS)	16,567
NON-OPERATING REVENUES (EXPENSES):	
Investment income	342
Interest expense	(2,316)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,974)
CHANGE IN NET ASSETS	14,593
Net assets, beginning of year	217,818
NET ASSETS, END OF YEAR	\$ 232,411

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2008

	Business -Type Activities Enterprise Funds Wastewater Treatment Operating Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from fees and charges for services	\$ 44,902
Other operating revenues	-
Cash payments to employees for services	-
Cash payments to suppliers for goods and services	(20,213)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	24,689
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash payments for capital assets	-
Interest payments on bonds	(2,316)
Principal payments on bonds	(5,239)
Increase (decrease) in due from funds	-
Transfer In	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(7,555)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	342
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	342
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,476
Cash and cash equivalents, beginning of year	16,494
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 33,970
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 16,567
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	11,947
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(2,120)
Increase (decrease) in accounts payable	(1,639)
Increase (decrease) in accrued interest	(66)
NET ADJUSTMENTS	8,122
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 24,689

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

	<u>Agency Funds</u>
ASSETS:	
Cash and equivalents	<u>\$ 100</u>
TOTAL ASSETS	<u><u>\$ 100</u></u>
LIABILITIES:	
Due to other funds	\$ -
Due to others	<u>100</u>
TOTAL LIABILITIES	<u><u>\$ 100</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MCMILLAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Township have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

(1) REPORTING ENTITY

The Township's financial statements present the Township (the primary government). In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township may or may not be financially accountable and, as such, be includable within the Township's financial statements.

(2) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(3) MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

available if they are collected within 60 days of the end of the current fiscal period. Property taxes, state-shared revenue, grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under the accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township of McMillan, Michigan property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township of McMillan, Michigan as of the preceding December 31st.

Although the Township of McMillan, Michigan 2007 ad valorem tax is levied and collectible on December 1, 2007, it is the Township of McMillan, Michigan's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 taxable valuation of the Township of McMillan, Michigan totaled \$81,437,844, on which ad valorem taxes levied consisted of .9306 mills for the operating purposes. These amounts are recognized in the General fund financial statements as taxes receivable or as tax revenue.

The Township reports the following major governmental funds:

- The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **UDAG** accounts for the Township's Economic Development Corporation activities.

The Township reports the following major proprietary funds:

- The **Wastewater Treatment Fund** accounts for the management of wastewater treatment services including billing, maintenance and construction.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our propriety funds relates to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g. labor and materials to hook up new customers) as

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expense.

(4) ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to the General Fund.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Restricted Assets – The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township of McMillan, Michigan as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated market value on the date of donation. Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building Improvements	25 years
Water and Sewage System	40 years
Infrastructure	10 to 50 years
Equipment	5 years

Compensated Absences (Vacation and Sick Leave) – The Township of McMillan, Michigan not does provide any compensated absences for their employees.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates – The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles require the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues and expenditures. Actual results may differ from estimated amounts.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgets and Budgetary Accounting – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level:

- a. The Township Supervisor submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to June 30 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Township Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Supervisor is authorized by means of Township policy to make certain transfers:
 1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or groups(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.
 2. The following considerations must be reviewed in determination of transfer approvals.
 - a. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
 - b. Will the transfer maintain the financial integrity of the Township?
 - c. Will the transfer provide a reasonable solution to the Departmental operating problem?

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

- f. The Township adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township Board of Trustees.

NOTE C – DEPOSITS AND INVESTMENTS:Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and fiduciary funds from the Statement of Net Assets:

	Primary Government	Fiduciary Funds	Total
Unrestricted:			
Cash and cash equivalents	\$884,096	\$100	\$884,196
Investments	-	-	-
Restricted:			
Cash and cash equivalents	-	-	-
Investments	-	-	-
TOTALS	\$884,096	\$100	\$884,196

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a deposit policy for custodial credit risk. The carrying amounts of the Township's deposits with financial institutions were \$884,196 and the bank balance was \$896,038. The bank balance is categorized as follows:

Amount insured by the FDIC	\$240,889
Amount uncollateralized and uninsured	655,149
	<u>\$896,038</u>

Investments

As of June 30, 2008, the Township did not have any investments.

NOTE C – DEPOSITS AND INVESTMENTS (Continued):

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Township's investments. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the Township to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Township has no investment policy that would further limit its investment choices. Ratings are not required for the Township's investment in U.S. Government Agencies or equity-type funds. The Township's investments are in accordance with statutory authority.

Concentration of Credit Risk

The Township places no limit on the amount the Township may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

NOTE D – RECEIVABLES:

Receivables as of year-end for the government's individual major and non-major funds, and the internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	UDAG Fund	Sewer Fund	Total
Taxes Receivable	\$-	\$-	\$-	\$-
UDAG Account Receivable	-	1,085,697	-	1,085,697
Due from other Governmental Units	28,661	-	-	28,661
Utility Billings	-	-	8,293	8,293
	<u>\$28,661</u>	<u>\$1,085,697</u>	<u>\$8,293</u>	<u>\$1,122,651</u>

NOTE E – URBAN DEVELOPMENT ACTION GRANT - U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:

On July 13, 1985, McMillan Township received an Urban Development Action Grant in the amount of \$1,425,000. Of this amount \$1,395,000 was loaned to Louisiana Pacific Corporation as part of a financing package used to build a fiberboard manufacturing plant. The Corporation repaid this loan in quarterly installments of \$85,320 at 8% for a five year period. The Township retains these funds for future economic development.

NOTE E – URBAN DEVELOPMENT ACTION GRANT - U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Continued):

The following is a list of notes receivable as of June 30, 2008:

Year Awarded	Debtor	Balance 6-30-08 (Township Share)	Total Loan Amount (Township Share)	Interest Rate	Term In Years
June 1998	U.P. Trading Company	\$23,118	\$51,800	8%	15*
June 1998	The Pizza Place	41,655	60,000	8.15	15*
June 1998	S & J Archery	31,212	4,500	7.5	5
April 2001	Luce County Parks and Rec	20,278	85,000	5	10
May 2001	Yoopertinkerville	21,106	32,250	8.5	15*
February 2002	Plesscher Nursery, Inc.	39,254	50,000	7.5	5
March 2002	NorTek, LLC	60,404	73,800	7.5	20
April 2002	McMillan Township Fire Trucks	189,980	415,000	4.75	16
October 2003	Village Inn	3,145	7,500	7.5	15
January 2005	Ben Franklin	24,669	30,000	7.5	15
June 2005	New UII and Brenda's Bridal	26,258	48,000	8.	10*
December 2005	Rome's Auto Repair	28,385	30,000	7.5	20*
April 2007	Mahaffy, Inc.	60,003	68,000	7.5	15*
August 2005	The Island Grille	50,036	56,250	7.5	15*
March 2006	Ray & Sally Gibbons	51,278	47,500	7.5	15*
March 2007	Turcott Loan Guaranty	205,410	206,990	n/a	n/a
September 2006	Hilltop Sport & Bait	34,215	35,500	9.25	15
May 2007	Papa Reggies	7,134	7,500	8.5	10
November 2007	McMillan Township Fire Trucks	168,157	176,478	5.0	10
		<u>\$ 1,085,697</u>			

* Three Year Balloon

NOTE F – DEFERRED REVENUE:

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been made.

The UDAG Fund has reported \$1,085,697 which represents the UDAG loans to various businesses. Terms vary with respect to repayment of these loans. Proceeds from repayments on these loans will be used for future Township UDAG development.

NOTE G – CAPITAL ASSETS:

Capital asset activity of the primary government for the current year was as follows:

	Balance at July 1, 2007	Additions	Disposals	Balance at June 30, 2008
GOVERNMENTAL ACTIVITIES:				
Land	\$51,750	\$-	\$-	\$51,750
Total Capital Assets, not being depreciated	51,750	-	-	51,750
Buildings and improvements	155,873	-	-	155,873
Furniture and equipment	32,549	5,500	-	38,049
Total Capital Assets, being depreciated	188,422	5,500	-	193,922
Less Accumulated Depreciation:				
Buildings and improvements	(91,126)	(3,259)	-	(94,385)
Furniture and equipment	(28,562)	(2,531)	-	(31,093)
Total Accumulated Depreciation	(119,688)	(5,790)	-	(125,478)
Governmental Activities Capital Assets, Net	\$120,484	\$(290)	\$-	\$120,194
BUSINESS-TYPE ACTIVITIES:				
Land	\$-	\$-	\$-	\$-
Total Capital Assets, not being depreciated	-	-	-	-
Buildings and improvements	-	-	-	-
Equipment	565,135	-	-	565,135
Total Capital Assets, being depreciated	565,135	-	-	565,135
Less Accumulated Depreciation:				
Buildings and improvements	-	-	-	-
Equipment	(319,349)	(11,947)	-	(331,296)
Total Accumulated Depreciation	(319,349)	(11,947)	-	(331,296)
Business-Type Activities Capital Assets, Net	\$245,786	\$(11,947)	\$-	\$233,839
PRIMARY GOVERNMENT ACTIVITIES:				
Land	\$51,750	\$-	\$-	\$51,750
Total Capital Assets, not being depreciated	51,750	-	-	51,750
Buildings and improvements	155,873	-	-	155,873
Equipment	597,684	5,500	-	603,184
Total Capital Assets, being depreciated	753,557	5,500	-	759,057
Less Accumulated Depreciation:				
Buildings and improvements	(91,126)	(3,259)	-	(94,385)
Equipment	(347,911)	(14,478)	-	(362,389)
Total Accumulated Depreciation	(439,037)	(17,737)	-	(456,774)
Total Primary Government Activities Capital Assets, Net	\$366,270	\$(12,237)	\$-	\$354,033

NOTE G – CAPITAL ASSETS (Continued):

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities Depreciation:	
General and Administrative	\$5,790
Public Safety	-
Recreation and Culture	-
Total Depreciation Expense – Governmental Activities	<u>5,790</u>
Business-Type Activities:	
Wastewater Treatment Facility	<u>11,947</u>
Total Depreciation Expense – Business-Type Activities	<u>11,947</u>
Total Depreciation Expense – Primary Government	<u>\$17,737</u>

NOTE H – LONG-TERM DEBT:

SCHEDULE OF LUCE COUNTY DISPOSAL SYSTEM NO. 1 BOND

	June 30, 2008			
	September 1 Interest	March 31 Principal	March 31 Interest	Total
2009	\$1,060	\$5,239	\$1,060	\$7,359
2010	930	5,239	930	7,099
2011	799	5,239	799	6,837
2012	668	5,239	668	6,575
2013	537	5,239	537	6,313
2014	406	5,408	406	6,220
2015	270	5,408	270	5,948
2016	304	5,408	135	5,847
TOTALS	<u>\$4,974</u>	<u>\$42,419</u>	<u>\$4,805</u>	<u>\$52,198</u>

The Bonds originally issued for \$ 136,045 and dated August 1, 1976 mature annually as scheduled above and bears interest at 5% per annum.

	July 1, 2007	Additions	Subtractions	June 30, 2008	Due Within 1 Year
Business-Type Activities:					
This debt represents the Township's share of the bond to form the joint venture in the Village of Newberry Wastewater Treatment Facility.					
	<u>\$47,658</u>	<u>\$-</u>	<u>\$5,408</u>	<u>\$42,419</u>	<u>\$5,239</u>
Total Business-Type Activities	<u>47,658</u>	<u>-</u>	<u>5,408</u>	<u>42,419</u>	<u>5,239</u>
TOTAL PRIMARY GOVERNMENT					
LONG-TERM DEBT	<u>\$47,658</u>	<u>\$-</u>	<u>\$5,408</u>	<u>\$42,419</u>	<u>\$5,239</u>

NOTE I – RESERVED AND DESIGNATED NET ASSETS:

The Wastewater Treatment Fund has reserved net assets totaling \$7,359 which represents the balance available to pay down debt.

NOTE J – RISK MANAGEMENT:

The Local Government Unit is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Local Governmental Unit has purchased commercial insurance for claims and participates in the Michigan Townships Participating Plan. The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

NOTE K – PENSION TRUST FUND:

The Township of McMillan, Michigan offers all Township of McMillan, Michigan employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Township of McMillan, Michigan's financial statements. This plan is a defined contribution pension plan for Michigan Township Employees. Each employee shall be eligible to participate in the Plan upon attaining age 18 and not more than age 75. There is no minimum service requirement. The Township contributes 15% of the employee's annual salary to the Plan. The total contribution for the year ended June 30, 2008 was \$ 24,581.

REQUIRED SUPPLEMENTAL
FINANCIAL INFORMATION

Township of McMillan, Michigan

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 322,800	\$ 322,800	\$ 314,472	\$ (8,328)
State sources	72,200	72,200	93,075	20,875
Charges for services	8,100	8,100	8,531	431
Interest	24,500	24,500	21,933	(2,567)
Other revenues	2,000	177,978	179,037	1,059
TOTAL REVENUES	429,600	605,578	617,048	11,470
EXPENDITURES:				
Legislative	50,450	50,450	47,102	3,348
General services and administration	395,550	403,170	339,789	63,381
Public safety	67,500	243,978	218,473	25,505
Public works	45,000	45,000	17,856	27,144
Other	60,000	51,880	-	51,880
TOTAL EXPENDITURES	618,500	794,478	623,220	171,258
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(188,900)	(188,900)	(6,172)	182,728
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	(188,900)	(188,900)	(6,172)	182,728
Fund balance, beginning of year	480,890	480,890	480,890	-
FUND BALANCE, END OF YEAR	\$ 291,990	\$ 291,990	\$ 474,718	\$ 182,728

Township of McMillan, Michigan

UDAG

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Positive
				(Negative)
REVENUES:				
Interest	\$ 90,000	\$ 90,000	\$ 57,991	\$ (32,009)
Other revenues	-	250,000	255,254	5,254
TOTAL REVENUES	90,000	340,000	313,245	(26,755)
EXPENDITURES:				
Community and economic development	90,000	250,000	246,728	3,272
TOTAL EXPENDITURES	90,000	250,000	246,728	3,272
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	90,000	66,517	(23,483)
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	-	90,000	66,517	(23,483)
Fund balance, beginning of year,	331,753	331,753	331,753	-
FUND BALANCE, END OF YEAR	\$ 331,753	\$ 421,753	\$ 398,270	\$ (23,483)

Other Supplemental
Information

Township of McMillan, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ 84,000	\$ 76,770	\$ (7,230)
Commercial forest reserve	4,300	2,100	(2,200)
Swamp tax	192,500	193,294	794
Tax collection fees	42,000	42,308	308
Total Taxes	<u>322,800</u>	<u>314,472</u>	<u>(8,328)</u>
State Sources:			
State revenue sharing	65,000	86,806	21,806
Annual maintenance fee	7,200	6,269	(931)
Total State Sources	<u>72,200</u>	<u>93,075</u>	<u>20,875</u>
Charges for Services:			
Cemetery services	7,000	7,775	775
Miscellaneous services	1,100	756	(344)
Total Charges for Services	<u>8,100</u>	<u>8,531</u>	<u>431</u>
Interest and Rents			
Interest	14,000	11,263	(2,737)
Rents	10,500	10,670	170
Total Interest and Rents	<u>24,500</u>	<u>21,933</u>	<u>(2,567)</u>
Other Revenues:			
Miscellaneous other	177,978	179,037	1,059
Sale of property	-	-	-
Total Other Revenues	<u>177,978</u>	<u>179,037</u>	<u>1,059</u>
TOTAL REVENUES	<u>605,578</u>	<u>617,048</u>	<u>11,470</u>
EXPENDITURES:			
LEGISLATIVE:			
Township Board:			
Personnel services	48,150	45,318	2,832
Supplies	-	-	-
Other services and charges	2,300	1,784	516
Capital outlay	-	-	-
TOTAL LEGISLATIVE	<u>50,450</u>	<u>47,102</u>	<u>3,348</u>

Township of McMillan, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
GENERAL SERVICES AND ADMINISTRATION:			
Supervisor:			
Personnel services	\$ 14,980	\$ 14,948	\$ 32
Supplies	-	-	-
Other services and charges	2,000	913	1,087
Capital outlay	-	-	-
Total Supervisor	<u>16,980</u>	<u>15,861</u>	<u>1,119</u>
Manager:			
Personnel services	21,850	21,850	-
Supplies	-	-	-
Other services and charges	700	-	700
Capital outlay	-	-	-
Total Manager	<u>22,550</u>	<u>21,850</u>	<u>700</u>
Elections			
Personnel services	4,000	1,000	3,000
Supplies	1,500	325	1,175
Other services and charges	200	11	189
Capital outlay	-	-	-
Total Elections	<u>5,700</u>	<u>1,336</u>	<u>4,364</u>
Professional Services			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	32,500	23,376	9,124
Capital outlay	-	-	-
Total Professional Services	<u>32,500</u>	<u>23,376</u>	<u>9,124</u>
Assessor:			
Personnel services	44,650	44,259	391
Supplies	1,500	1,450	50
Other services and charges	3,500	991	2,509
Capital outlay	-	-	-
Total Assessor	<u>49,650</u>	<u>46,700</u>	<u>2,950</u>

Township of McMillan, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Clerk:			
Personnel services	\$ 29,930	\$ 27,822	\$ 2,108
Supplies	2,500	2,255	245
Other services and charges	43,000	27,217	15,783
Capital outlay	2,000	388	1,612
Total Clerk	77,430	57,682	19,748
Board of Review:			
Personnel services	850	900	(50)
Supplies	-	-	-
Other services and charges	500	489	11
Total Board of Review	1,350	1,389	(39)
Treasurer:			
Personnel services	26,460	25,460	1,000
Supplies	3,000	1,863	1,137
Other services and charges	1,200	913	287
Total Treasurer	30,660	28,236	2,424
Township Hall and Grounds:			
Personnel services	20,000	20,491	(491)
Supplies	1,000	747	
Other services and charges	36,500	27,355	9,145
Capital outlay	5,000	-	5,000
Total Township Hall and Grounds	62,500	48,593	13,654
Cemetery:			
Personnel services	77,450	74,020	3,430
Supplies	500	465	35
Other services and charges	19,900	14,342	
Capital outlay	6,000	5,939	61
Total Cemetery	103,850	94,766	3,526
TOTAL GENERAL SERVICES AND ADMINISTRATION	403,170	339,789	57,570

Township of McMillan, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
PUBLIC SAFETY:			
Police Department:			
Personnel services	\$ -	\$ -	\$ -
Supplies	-	-	-
Other services and charges	2,000	2,000	-
Total Police Department	2,000	2,000	-
Fire Department:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	241,978	216,473	25,505
Total Fire Department	241,978	216,473	25,505
TOTAL PUBLIC SAFETY	243,978	218,473	25,505
PUBLIC WORKS:			
Streets:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	40,000	15,492	24,508
Total Streets	40,000	15,492	24,508
Refuse Collection:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	5,000	2,364	2,636
Total Refuse Collection	5,000	2,364	2,636
TOTAL PUBLIC WORKS	45,000	17,856	27,144

Township of McMillan, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
OTHER FUNCTIONS:			
Miscellaneous	\$ 51,880	\$ -	\$ 51,880
Total Other Functions	51,880	-	51,880
TOTAL OTHER FUNCTIONS	51,880	-	51,880
TOTAL EXPENDITURES	794,478	623,220	165,447
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(188,900)	(6,172)	(153,977)
OTHER FINANCING SOURCES (USES):			
Transfers In:	-	-	-
Transfers (Out):	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
CHANGE IN FUND BALANCE	(188,900)	(6,172)	(153,977)
Fund balance, beginning of year	480,890	480,890	-
FUND BALANCE, END OF YEAR	\$ 291,990	\$ 474,718	\$ (153,977)

Township of McMillan, Michigan

MAJOR GOVERNMENTAL FUNDS
UDAG

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Interest:			
Interest income - investments	\$ 10,000	\$ 13,113	\$ 3,113
Interest income - loans	<u>80,000</u>	<u>44,878</u>	<u>(35,122)</u>
Total Interest	<u>90,000</u>	<u>57,991</u>	<u>(32,009)</u>
Other Revenue:			
Principal payments	<u>250,000</u>	<u>255,254</u>	<u>5,254</u>
Total Other Revenues	<u>250,000</u>	<u>255,254</u>	<u>5,254</u>
TOTAL REVENUES	<u>340,000</u>	<u>313,245</u>	<u>(26,755)</u>
EXPENDITURES:			
COMMUNITY AND ECONOMIC DEVELOPMENT:			
Economic Development			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	250,000	246,728	3,272
Capital outlay	-	-	-
Total Economic Development	<u>250,000</u>	<u>246,728</u>	<u>3,272</u>
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	<u>250,000</u>	<u>246,728</u>	<u>3,272</u>
TOTAL EXPENDITURES	<u>250,000</u>	<u>246,728</u>	<u>3,272</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>90,000</u>	<u>66,517</u>	<u>(23,483)</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	-	-	-
Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	90,000	66,517	(23,483)
Fund balance, beginning of year	<u>331,753</u>	<u>331,753</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 421,753</u>	<u>\$ 398,270</u>	<u>\$ (23,483)</u>

Township of McMillan, Michigan

NON-MAJOR
GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2008

	Special Revenue Fund <u>Liquor Law Fund</u>	Permanent Fund <u>Cemetery Trust Fund</u>	Total Governmental Funds
ASSETS			
Cash and equivalents	\$ 6	\$ 5,793	\$ 5,799
TOTAL ASSETS	<u>\$ 6</u>	<u>\$ 5,793</u>	<u>\$ 5,799</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Other liabilities	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE:			
Unreserved	6	5,793	5,799
TOTAL FUND BALANCE	<u>6</u>	<u>5,793</u>	<u>5,799</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 6</u>	<u>\$ 5,793</u>	<u>\$ 5,799</u>

Township of McMillan, Michigan

NON-MAJOR
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2008

	Special Revenue Fund <u>Liquor Law Fund</u>	Permanent Fund <u>Cemetery Trust Fund</u>	Total Governmental Funds
REVENUES:			
State sources	\$ 3,681	\$ -	\$ 3,681
Interest	92	307	399
TOTAL REVENUES	<u>3,773</u>	<u>307</u>	<u>4,080</u>
EXPENDITURES:			
General government	-	-	-
Public safety	3,767	-	3,767
TOTAL EXPENDITURES	<u>3,767</u>	<u>-</u>	<u>3,767</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>6</u>	<u>307</u>	<u>313</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	6	307	313
Fund balance, beginning of year	-	5,486	5,486
FUND BALANCE, END OF YEAR	<u>\$ 6</u>	<u>\$ 5,793</u>	<u>\$ 5,799</u>

Township of McMillan, Michigan

NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE

LIQUOR LAW FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
State shared revenues	\$ 3,600	\$ 3,681	\$ 81
Interest	80	92	12
TOTAL REVENUES	<u>3,680</u>	<u>3,773</u>	<u>93</u>
EXPENDITURES:			
Public Safety:			
Liquor Law Enforcement			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	3,680	3,767	(87)
Capital outlay	-	-	-
Total Cemetery	<u>3,680</u>	<u>3,767</u>	<u>(87)</u>
TOTAL EXPENDITURES	<u>3,680</u>	<u>3,767</u>	<u>(87)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>6</u>	<u>6</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN FUND BALANCE	<u>-</u>	<u>6</u>	<u>6</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 6</u>

Township of McMillan, Michigan

**NON-MAJOR GOVERNMENTAL FUNDS
PERMANENT FUND**

CEMETERY TRUST FUND

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2008

	Cemetery Trust Fund
REVENUES:	
Interest	\$ 307
TOTAL REVENUES	307
EXPENDITURES:	
General Government:	
Cemetery	
Personnel services	-
Supplies	-
Other services and charges	-
Capital outlay	-
Total Cemetery	-
TOTAL EXPENDITURES	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	307
OTHER FINANCING SOURCES (USES):	
Transfers in	-
Transfers (out)	-
TOTAL OTHER FINANCING SOURCES	-
CHANGES IN FUND BALANCE	307
Fund balance, beginning of year	5,486
FUND BALANCE, END OF YEAR	\$ 5,793

Township of McMillan, Michigan

FIDUCIARY FUNDS

COMBINING STATEMENT OF NET ASSETS

June 30, 2008

	Tax Collection Fund	Total
ASSETS		
Cash and equivalents	\$ 100	\$ 100
TOTAL ASSETS	<u>\$ 100</u>	<u>\$ 100</u>
LIABILITIES		
Due to others	\$ 100	\$ 100
TOTAL LIABILITIES	<u>\$ 100</u>	<u>\$ 100</u>

COMPLIANCE SUPPLEMENTS



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND ON OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Supervisor and Township Board of Trustees
Township of McMillan, Michigan
405 Newberry Avenue
Newberry, Michigan 49868

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Township of McMillan, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Township of McMillan, Michigan's basic financial statements and have issued our report thereon dated October 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of McMillan, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of McMillan, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of McMillan, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Township of McMillan, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of McMillan, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the Township of McMillan, Michigan's internal control. We consider the deficiencies described in the accompanying report to management to be significant deficiencies in internal control over financial reporting as items 08-01 and 08-02.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of McMillan, Michigan's internal control.

To the Honorable Supervisor and Township Board of Trustees
Township of McMillan, Michigan

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of McMillan, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of the management, the audit committee, Township of McMillan, Michigan Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 3, 2008



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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MILWAUKEE

Township of McMillan, Michigan
405 Newberry Avenue
Newberry, Michigan 49868

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Township of McMillan, Michigan as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Township of McMillan, Michigan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

08-01 – FINANCIAL REPORTING CYCLE (REPEAT)

Condition/Criteria: The monthly and year end financial reporting package as presented to the Board of Trustees is not fully compliant with generally accepted accounting principles. The general ledger is recorded on the cash basis of accounting and not on the modified-accrual basis of accounting.

Effect: Because the accruals are not being record in the general ledger until d the audit, the financial statements are not compliant with generally accepted accounting principles.

Cause of Condition: Failure to record accruals in the general ledger.

Recommendation: We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

Township of McMillan, Michigan
405 Newberry Avenue
Newberry, Michigan 49868

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Joe Villemure, Manager
- Corrective Action Planned:
 - We are aware of this deficiency and believe it is not cost beneficial in our situation to allocate the time need to prepare the financial statements on the accrual basis of accounting.
- Anticipated Completion Date:
 - Not Applicable

08-02 – ASSIST IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES (REPEAT)

Condition/Criteria: Statement on Auditing Standards #112 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Effect: We assisted management with the external financial reporting responsibility to ensure their financial statements are in accordance with GAAP.

Cause of Condition: The staff of the Township does not have adequate time to prepare all the information included in the annual financial statements. Therefore, we assisted in the preparing the financial statements and related footnotes.

Recommendation: We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Joe Villemure, Manager
- Corrective Action Planned:
 - We are aware of this deficiency and believe it is not cost beneficial in our situation to allocate the time need to prepare the financial statements on the accrual basis of accounting.
- Anticipated Completion Date:
 - Not Applicable

This communication is intended solely for the information and use of management, Board of Trustee, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 3, 2008